

CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY 2005-06 STATE BUDGET BRIEFING

PREPARED STATEMENT SECRETARY S. KIMBERLY BELSHÉ

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2:30 p.m.

Good afternoon, I would like to make a few comments before taking your questions.

Since assuming office, Governor Schwarzenegger has made clear the importance of restoring California's economic competitiveness and health and getting the state's fiscal house in order. While progress was made on both fronts in the Governor's first year in office, considerable work remains in the effort to better align revenues and expenditures.

The Governor's proposed budget for fiscal year 2005-06 reflects the fiscal imperative to bring expenditures and revenues into closer alignment. At the same time, the Governor's budget reflects the leadership imperative to responsibly balance competing public policy priorities.

I want to say a word about some of the challenges the Governor faced in terms of balancing competing priorities, particularly as they relate to state support for education and health and human services.

If the Proposition 98 guarantee formula had been allowed to run its course, General Fund K-12 spending would have grown by an additional \$2.3 billion, requiring offsetting reductions elsewhere in the budget. Given that health and human services represents the overwhelming majority of General Fund spending after K-12, there is no question that health and human services would have borne the majority of the offsetting reductions.

Let me share with you what an additional \$2.3 billion in reductions in health and human services - above and beyond the \$1.2 billion in reductions already proposed in the Governor's budget - looks like:

- Nearly half a million low-income women and children seeing their monthly CalWORKs welfare grants reduced by an additional 20 percent above the 6.5 percent reduction proposed.

- More than 1.2 million aged, blind, and disabled individuals having their cash aid reduced to minimum levels permitted under federal law.
- The reversal of Medi-Cal eligibility expansions that have contributed to more than 1.2 million additional working poor parents and aged, blind, and disabled adults now insured through the Medi-Cal program.
- Hundreds of thousands of children no longer enrolled in Medi-Cal or insured by Healthy Families because of the reversal of program reforms and eligibility expansions enacted to facilitate the enrollment of low-income children in public insurance programs.
- Ten thousand women with breast and cervical cancer no longer eligible for treatment.
- Tens of thousands of low-income immigrant children and aged, blind, and disabled adults no longer eligible for health care, food, or cash assistance programs.
- Community-based services to the state's more than 200,000 developmentally disabled individuals scaled back.
- Three million adult Medi-Cal beneficiaries no longer eligible for dental benefits, including dentures.
- Up to 50,000 persons with HIV/AIDS no longer eligible for certain life-saving and life-prolonging prescription drugs not required by the federal government through the AIDS Drug Assistance Program, but currently provided at state expense.

Simply put, \$2.3 billion in additional reductions in health and human services looks like a much-diminished safety net and a much-diminished quality of life for the most vulnerable residents in California.

The Governor looked hard at what it would mean to let the Proposition 98 guarantee run its course. The Governor's budget decisions did not come easily. But, difficult times require difficult choices and to lead is to choose. Governor Schwarzenegger chose to strike a reasonable and responsible balance among his funding priorities.

Virtually every part of state government will take a reduction in funding that it would have otherwise received if spending were allowed to go forward unchecked. At the same time, the Governor's budget calls for a 7 percent General Fund increase in Proposition 98 spending - \$2.4 billion more than the current year, full funding of cost-of-living for education, and importantly, sufficient funding to ensure a strong and responsible safety net of services for our state's most vulnerable residents.

The Governor made clear his intention to make decisions based upon the best interests of the people of California. That is what leadership is all about. That is what guided and informed the Governor's decision making as it relates to his budget proposal.

I note in closing, and before taking your questions, that the Governor's budget for health and human services calls for very difficult reductions and reforms, as well as some important new investments. The reductions and reforms reflect the need to better manage and control spending in the health and human services arena; support structural reforms of our major entitlement programs, most notably Medi-Cal, CalWORKs, and community-based services to the developmentally disabled; and better align services and benefits with those of other large states.

At the same time, the Governor's budget reflects some very important policy priorities, such as maintaining health care coverage for low-income children through the Medi-Cal and Healthy Families programs. The Governor is not prepared to contribute to the problem of the uninsured and further strain an already fragile health care delivery system. The Governor's budget also reaffirms the high priority he places on protecting services to the state's developmentally disabled residents. Finally, the Governor's budget directs investments to advance a number of important policy priorities, including expanding health insurance coverage for children, promoting the affordability and availability of medicines for uninsured, low-income Californians, and providing support for a comprehensive framework to address the public health problem of obesity and overweight.

Overall, the Governor's budget is tough, but fair. It strikes an appropriate balance among competing statewide priorities. At the same time, it reflects the dual imperatives within health and human services of maintaining eligibility and access to essential services for our state's most vulnerable residents, while at the same doing a better job of managing costs and maximizing efficiencies.

I would be happy to answer your questions.